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SUBJECT: GOI FIGHTS KEROSENE CORRUPTION, MILITIA RACKETS

REF: A. 2007 BAGHDAD 4002 - IESC MEETING OF DECEMBER 7
[1](#)B. BAGHDAD 342 - IESC MEETING OF FEBRUARY 1
[1](#)C. BAGHDAD 177 - A GLIMPSE OF COURAGE IN BAGHDAD

Classified By: Classified by Deputy Political Counselor Greg D'Elia for reasons 1.4 (b,d).

[1](#)1. (C) SUMMARY: Sayid Nemah Jabour of the office of the Iraqi National Security Advisor told poloff February 15 that the new Project Clean Delivery (PCD) kerosene distribution system had significantly diminished militia revenue from the theft and sale of kerosene. Jabour said that an Iraqi interagency team had conducted a "clean" delivery through PCD to six of Baghdad's most dangerous neighborhoods since January 28. Approximately 90 percent of kerosene deliveries in the PCD neighborhoods avoided militia profiteering and government corruption by going straight from the fuel depot to the consumer, in the estimate of Jabour and the Deputy Inspector General of the Ministry of Oil (MoO), Alaa Mahdi Al-Deen. According to Jabour and Al-Deen, PCD has served the GoI as an invaluable diagnostic instrument, exposing the fraudulent practices of MoO officials who aid and abet militia control of essential services. Jabour described to the Prime Minister on February 1 the systemic corruption in kerosene distribution that PCD uncovered during its first five days -- the MoO cannot account for about 85 percent of the kerosene distributed in non-PCD Baghdad neighborhoods during the period that PCD has operated. Jabour argued that the violent response of militants -- killing two local officials involved with PCD and threatening two others -- confirms the project's impact. Jabour's team intends to build on PCD to improve and sustain a new Baghdad-wide distribution system for kerosene, and to extend their system to other petroleum products. END SUMMARY.

PROJECT AIMS TO IMPROVE ESSENTIAL SERVICES, FIGHT CORRUPTION

[1](#)2. (C) BACKGROUND: Initiated in September 2007 by the Embassy political section, Project Clean Delivery (PCD) aims to build GoI capacity to provide essential services by improving efficiency, removing corruption and countering militia influence (reftels A and B). PCD seeks to help Iraqis develop "best practices" recommendations through a close focus on one service -- the distribution of kerosene to Baghdad residents. The timing has been critical, since Baghdad residents rely on kerosene to heat their homes during the winter. After two months of inter agency research and development by a team comprising seventeen different Coalition agencies, Embassy officers identified in November an Iraqi "champion" to lead the project: Sayid Jabour (strictly protect) of the office of the National Security Advisor.

[1](#)3. (C) BACKGROUND CONT'D: Jabour immediately assumed ownership of the project and assembled an Iraqi inter agency team from eight government entities. With Jabour fully in charge, the Coalition adopted a support and advisory role.

That approach was vindicated in late November when Jabour and his team devised a new kerosene distribution plan that featured significantly enhanced security measures and inter ministerial coordination. They then implemented a pilot project to deliver kerosene more efficiently and "cleanly" in one Baghdad neighborhood -- Kindi -- during December. After the success of their pilot project, the Iraqi PCD team began January 28 to expand their new system to six more neighborhoods, and plan to continue expanding it throughout Baghdad. END BACKGROUND.

A "CLEAN" DELIVERY TO 28,000 FAMILIES IN BAGHDAD

14. (C) Members of the Iraqi inter agency PCD team told PRToff that, as of February 17, they had delivered approximately 2.8 million liters of kerosene to 28,000 families in seven Baghdad neighborhoods (Kindi (pilot project), Ameriya, Ghazaliya, Zayuna, Beladiyat, Zafaraniya, and Salhiya). Jabour said that his team and the MoO Inspector General's (IG) office tracked the kerosene delivered through PCD from the ground (or import) to the depot and then all the way to the consumer. Since the project's expansion began on January 28, they have provided a weekly update on its implementation directly to the Prime Minister at the Iraq Executive Steering Committee (I-ESC) meeting. To illustrate his close inspection, the MoO Deputy IG, Alaa Mahdi Al-Deen (strictly protect), told PRToff February 18 that the GoI has delivered precisely 2,801,030 liters of kerosene through the new PCD system. In a separate conversation, the leading Baghdad Provincial Council member on the PCD team, Salam Hanoun Mosalat (strictly protect), told PRToff February 18 that PCD has delivered 2,788,900

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liters -- a difference of less than 0.05 percent from the MoO report. (NOTE: While the GoI implemented the new PCD distribution system, Coalition Battalions on the ground observed the delivery and, in several instances, intervened in support of the Iraqi PCD team. END NOTE.)

SUNNI NEIGHBORHOODS GET KEROSENE FOR FIRST TIME SINCE 2006

15. (C) Despite the high demand in Baghdad for kerosene during a cold winter, Neighborhood Council (NAC) members and PCD team members report that most residents served by PCD had not yet received any government-allocated kerosene. As a result, Jabour said, national, provincial and local government officials have earned substantial credit at the community level for successful delivery of kerosene through PCD. EPRT team leaders as well as MNF-I spot reports and surveys confirm this claim. The Coalition Battalion Commander in Ghazaliya reported that several women literally wept with joy while receiving their families' allotment of kerosene. Sheikh Khaled in Ameriya, a leader of the May 2007 local rebellion against Al Qaeda in Iraq (AQI), told the local EPRT team leader that his Sunni-majority neighborhood had received kerosene from the GoI for the first time since November 2006, thanks to the PCD initiative. Moreover, Jabour and Coalition officers heard first-hand reports from the Ghazaliya NAC and local residents about the effectiveness and success of the PCD system during Jabour's February 6 visit to Ghazaliya. The locals informed Jabour that, since 2005, Ghazaliya residents had received only five percent of their government allocation of kerosene; then, in the first week of February, PCD delivered the full portion of kerosene to the vast majority of families in Ghazaliya.

16. (C) Sayid also heard in southern (Sunni) Ghazaliya about the failure of the GoI to deliver other essential services to that area. Jabour, noting that his trip had raised his awareness of service delivery problems in Sunni neighborhoods, told poloff on February 7 that he plans to

investigate the various complaints he heard in Ghazaliya.

EXPOSING GOVERNMENT CORRUPTION AND MILITIA REVENUE

¶7. (C) Corruption was rampant and unmonitored before the new distribution mechanism, Jabour told poloff February 7, but PCD has focused senior GoI leadership on the need for improved security and inter ministerial coordination. The new approach, he explained, has enabled honest officials to identify and diminish corruption. In the neighborhoods that have benefited from PCD, Iraqi Security Forces (ISF), with support from Coalition Forces (CF), have neutralized militia influence and diminished -- likely eliminated -- militia profits from kerosene distribution by securing and monitoring the transportation of kerosene directly from fuel depots to the citizens.

¶8. (C) Jabour said that the kerosene delivered to Baghdad residents through the PCD system represents only 15 percent of the approximately 20 million total liters supplied to Baghdad during the same period. He has asked MoO officials in charge of fuel distribution in Baghdad where the other 85 percent went, but has yet to receive a satisfactory answer. Jabour said that he now realizes that millions of liters of kerosene have been stolen or misallocated this winter. As a result, locals have had to buy their kerosene from the black market at severely inflated prices. Most of the income from the sale of stolen kerosene, Jabour stressed, goes to fund militias and terrorists. He said that the Prime Minister raised kerosene-associated corruption in a February 6 meeting with two Deputy Ministers and two Directors General at the MoO. (NOTE: Minister of Oil Hussein Al-Sharastani was out of the country at the time of the meeting. END NOTE.) The Prime Minister asked these officials to account for millions of liters of kerosene intended for Baghdad residents this winter.

¶9. (C) Jabour noted that the MoO's financial accounts appear to balance -- purportedly demonstrating the delivery to locals by the MoO of every single liter received in Baghdad -- but that these accounts have no bearing on the "reality on the ground," where Jabour has seen that corrupt officials and militants hijack, misdirect, and steal from kerosene delivery trucks. (NOTE: Members of the Coalition's "Energy Fusion Cell" participating in PCD have discovered that Ministry of Oil officials regularly send trucks filled with fuel to government-owned "gas stations" that exist on paper but are actually empty lots or abandoned buildings. They believe that MoO truck drivers, instead of delivering fuel products to gas stations, deliver them straight to the black market, most often controlled by militias and terrorists. END NOTE.)

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MILITANTS RESPOND TO CLEAN DELIVERY WITH VIOLENCE

¶10. (C) After the murder in early January of a NAC member involved in PCD (reftel C), militants continued to react violently to the project's implementation. Jabour said that a local leader of Jaysh Al-Mahdi (JAM) responded angrily on January 29 to the new, tightly monitored kerosene distribution method by entering the offices of the northern Ghazaliya NAC and threatening to kill the NAC member in charge of fuel distribution. He punched a guard in the face on his way into the office. (NOTE: The local Coalition Battalion (1-75 CAV) confirmed the incident. END NOTE.) In Beladiyat on January 29, locals told Jabour that JAM members drove by the distribution point and fired guns out of their car windows over peoples' heads -- a "drive by" shooting apparently intended to intimidate local residents and the NAC member helping them. Early on the morning of February 1, men entered the home of the same NAC member's bodyguard and shot

him to death. Jabour believes these men were JAM members, and the GoI is investigating this murder.

¶11. (C) In southern Ghazaliya on February 6, local militants launched an improvised explosive device (IED) at a truck transporting kerosene as part of the PCD system -- an almost unprecedented attack. (NOTE: Militants usually do not believe that fuel trucks have sufficient protection to require an IED attack; if they want to divert or steal from fuel trucks, they simply hijack them. Local Coalition units believe that AQI detonated this IED because they perceived that northern (Shia) Ghazaliya received more kerosene than did southern (Sunni) Ghazaliya. END NOTE.) In another neighborhood, Zayuna, JAM members stayed away from the well-protected kerosene trucks while people picked up their kerosene. In the evenings, however, JAM went door-to-door asking for a portion of the money they did not receive at the point of sale; they told people that they -- JAM members -- had delivered the kerosene, not the government, and they therefore deserved to be paid.

PROBLEMS WITH THE NEW DELIVERY SYSTEM

¶12. (C) Members of the Iraqi team -- including Provincial and Neighborhood Council members, and the MoO Deputy IG -- estimate that 90 percent of local residents in the targeted neighborhoods received their kerosene at the government stipulated quantity and price thanks to the new PCD distribution system. (NOTE: Coalition forces in the Energy Fusion Cell and on the ground in the affected neighborhoods concur with this assessment. END NOTE.) PCD did not achieve 100 percent success, however, despite high-level GoI attention, Iraqi inter agency coordination, and Coalition support. Notable problems emerged during the implementation of PCD in some of Baghdad's toughest neighborhoods. While most Iraqi participants in the initiative performed admirably, some soldiers in the Iraqi Army (IA) extorted extra fees from residents; several NAC members diverted trucks to support the black market; thieves stole several thousand liters of kerosene from a truck located on an IA forward operating base; and some MoO officials at the Baghdad Distribution Center attempted to obstruct implementation of the new system.

¶13. (C) The Deputy IG at the MoO, a participant on the Iraqi inter agency team, noted these and other problems candidly and openly in his own written assessment of the PCD system, which he has submitted to the Prime Minister at successive I-ESC meetings. Jabour said that he would work to rectify the corrupt practices that his team observed at the Baghdad Distribution Center and within the Neighborhood Councils. "You can't expect to transform a system that has corruption everywhere and not have problems," he said. "They are inevitable." (COMMENT: The continued success of the new PCD distribution system will depend upon the GoI's implementation of management controls and provision of the security required to enforce them. END COMMENT.)

CLEAN DELIVERY IN BROADER CONTEXT

¶14. (C) According to the Iraqi PCD team and post's local contacts, the GoI has failed to distribute an adequate supply of kerosene to Baghdad residents during every winter since ¶2003. MoO technocrats estimate that Baghdad needs to receive approximately two million liters of kerosene per day in order to meet demand. This winter, according to the MoO IG, Baghdad has received, on average, 650,000 liters per day. GoI officials and residents allege that a complex web of

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inter-related factors -- including corruption, militia influence, insurgent attacks, antiquated infrastructure,

incompetence, and lack of inter ministerial coordination -- hamper both the supply and distribution of this commodity during the critical winter months. Local contacts and Coalition intelligence analysts also report that militias and terrorists earn a significant portion of their revenue from stealing and selling kerosene.

APPLYING LESSONS LEARNED TO OTHER SERVICES

¶15. (C) Jabour, recognizing that hundreds of thousands of Baghdad residents did not receive an adequate supply of kerosene this winter, told poloff February 15 that his team will apply the lessons learned this winter to improve and sustain the new distribution mechanism. Jabour said that he believes his team can also apply these lessons to the distribution of other petroleum products and, ultimately, other essential services. The Coalition interagency team supporting Project Clean Delivery has begun to facilitate the preparation of a comprehensive "after action" analysis and assessment of the project for use by the Iraqi inter agency team, with the aim of replicating the project's most successful elements in more neighborhoods and additional services.
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